

TO: Distribution

FROM: Market Information/Bruce Neidle

SUBJECT: Weekly Shipment Performance w/e 1/15/99

DATE: January 19, 1999

Industry shipments for the week were 6.1 billion units, -0.7 billion lower than week-ago. Industry volume continues to reflect inventory reduction by the trade following late November 1998 manufacturers' list price increases.

This trade inventory reduction is likely being offset to some degree by competitive promotional shipments. Shares for Lorillard were above their 13wm averages. Lorillard's SOI was up +3.0pp vs. their 13wm average, with their Premium SOC up +2.6pp and Discount SOC up +4.3pp. RJR's premium and discount shares also continued to be higher than their recent averages.

PM's share of industry and premium were lower than week-ago and recent averages at SOI: 45.2%; Premium SOC: 53.2%; and Discount SOC: 25.5%. Performance likely reflects:

- Competitive activity,
- Below average McLane purchases (disproportionately affecting PM, which constitutes 57% of McLane's business), and
- Payback from PM's promotional shipments in the prior month.

Discount category share for the week was 28.9%, up +2.8pp vs. prior week driven largely by Lorillard and RJR.

PM-USA January Performance						
Volume				Share		
		ACTUAL			ACTUAL	
<u>W/E</u>	<u>PROJ</u>	<u>ACTUAL</u>	<u>VS. PROJ</u>	<u>PROJ</u>	<u>ACTUAL</u>	<u>VS. PROJ</u>
1/8	3,140	3,213	73	48.1%	47.4%	(0.7)
1/15	2,119	2,735	616	46.5%	45.2%	(1.3)
1/22	2,369			48.4%		
1/25	4,872			51.8%		
MTD	5,259	5,948	689	47.5%	46.4%	(1.1)
January	12,500			49.2%		

All numbers are rounded.

#### Variance Explanation

##### w/e 1/15/99

PM's volume for the week was above projection due to lower than expected inventory depletion by the trade. PM's lower share likely reflects stronger than expected competitive promotional volume.

##### w/e 1/8/99

PM's volume for the week was close to projection. PM's lower share likely reflects stronger than expected competitive promotional volume.

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## PRELIMINARY WEEKLY VOLUME AND SHARE

W/E 1/15/99

## THIS WEEK'S RESULTS

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
<b>VOLUME</b>							
Current Week	6,053	2,735	1,589	832	757	38	102
Diff. vs. 1998	-1,350	-801	-307	-314	87	-45	30
% Change vs. '98	-18.2%	-22.7%	-16.2%	-27.4%	13.0%	-53.9%	42.2%
<b>SHARE</b>							
Current Week		45.2%	26.2%	13.8%	12.5%	0.6%	1.7%
Diff. vs. 1998		-2.6%	0.6%	-1.7%	3.5%	-0.5%	0.7%
<b>FORECAST</b>	5,850	2,604	1,579	1,022	521	68	56
Diff. vs. Forecast	203	131	10	-190	236	-29	45
<b>CURR. PROJECTION</b>	4,558	2,119					
Diff. vs. Projection	1,495	616					
<b>PREMIUM</b>							
Volume	4,306	2,290	977	411	596	19	12
Share of Category	71.1% *	53.2%	22.7%	9.5%	13.8%	0.5%	0.3%
Contribution		83.7%	61.5%	49.4%	78.7%	50.7%	11.7%
<b>DISCOUNT</b>							
Volume	1,747	445	612	421	161	19	90
Share of Category	28.9% *	25.5%	35.0%	24.1%	9.2%	1.1%	5.1%
Contribution		16.3%	38.5%	50.6%	21.3%	49.3%	88.3%

## PRELIMINARY WEEKLY VOLUME AND SHARE

W/E 1/15/99

## QUARTER TO DATE

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
<b>VOLUME</b>							
QTD	12,825	5,948	3,543	1,599	1,428	106	200
1998 Actual	16,448	8,274	4,027	2,431	1,388	170	159
Diff. vs. 1998	-3,623	-2,325	-484	-831	40	-64	42
% Change vs. '98	-22.0%	-28.1%	-12.0%	-34.2%	2.9%	-37.6%	26.2%
<b>SHARE</b>							
QTD		46.4%	27.6%	12.5%	11.1%	0.8%	1.6%
Diff. vs. 1998		-3.9%	3.1%	-2.3%	2.7%	-0.2%	0.6%
<b>FORECAST</b>	12,858	5,724	3,470	2,247	1,145	149	124
Diff. vs. Forecast	-33	224	73	-647	283	-43	77
<b>PREMIUM</b>							
Volume	9,312	5,076	2,226	810	1,140	38	23
Share of Category	72.6% *	54.5%	23.9%	8.7%	12.2%	0.4%	0.2%
Diff. vs. 1998	4.3%	-3.9%	3.0%	-0.2%	1.2%	-0.1%	0.0%
Contribution		85.3%	62.8%	50.7%	79.8%	35.4%	11.3%
<b>DISCOUNT</b>							
Volume	3,514	873	1,318	789	288	69	178
Share of Category	27.4% *	24.8%	37.5%	22.4%	8.2%	2.0%	5.1%
Diff. vs. 1998	-4.3%	-8.0%	5.4%	-5.0%	5.4%	-0.3%	2.5%
Contribution		14.7%	37.2%	49.3%	20.2%	64.6%	88.7%

\*Share of Industry

**PRELIMINARY WEEKLY VOLUME AND SHARE**  
W/E 1/15/99

**4WM AVERAGE**

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
<b>VOLUME</b>							
Latest 4 Wks	6,958	3,392	1,759	883	692	128	105
Diff. vs. Pr. 4WM	-304	-229	-37	-35	26	-28	-1
Change v Pr 4WM	-4.2%	-6.3%	-2.1%	-3.8%	3.9%	-17.9%	-1.1%
Diff. vs. YAG 4WM	-783	-453	-80	-289	13	-3	30
Change vs. YAG 4WM	-10.1%	-11.8%	-4.4%	-24.7%	1.9%	-2.5%	39.9%
<b>SHARE</b>							
Latest 4 Wks		48.7%	25.3%	12.7%	9.9%	1.8%	1.5%
Diff. vs. Pr. 4WM		-1.1%	0.5%	0.1%	0.8%	-0.3%	0.0%
Diff. vs. YAG 4WM		-0.9%	1.5%	-2.4%	1.2%	0.1%	0.5%
<b>PREMIUM</b>							
Volume	5,028	2,861	1,121	446	566	22	12
Change v Pr 4WM	-4.1%	-5.7%	-2.9%	-4.3%	2.1%	-3.2%	1.0%
Share of Category	72.3% *	56.9%	22.3%	8.9%	11.3%	0.4%	0.2%
Diff. vs. Pr. 4WM		-1.0%	0.3%	0.0%	0.7%	0.0%	0.0%
Diff. vs. YAG 4WM		-1.3%	1.8%	-0.3%	0.0%	-0.1%	0.0%
<b>DISCOUNT</b>							
Volume	1,931	531	638	437	126	105	93
Change v Pr 4WM	-4.3%	-9.4%	-0.6%	-3.2%	12.8%	-20.5%	-1.3%
Share of Category	27.7% *	27.5%	33.0%	22.7%	6.5%	5.5%	4.8%
Diff. vs. Pr. 4WM		-1.5%	1.2%	0.3%	1.0%	-1.1%	0.1%
Diff. vs. YAG 4WM		-1.7%	1.5%	-6.8%	3.8%	1.1%	2.1%

**PRELIMINARY WEEKLY VOLUME AND SHARE**  
W/E 1/15/99

**13WM AVERAGE**

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
<b>VOLUME</b>							
Latest 13 Wk	7,878	3,838	1,920	1,131	752	115	123
Diff. vs. Pr. 13WM	-244	-130	-53	-39	-12	-9	-1
Change vs. Pr. 13WM	-3.0%	-3.3%	-2.7%	-3.3%	-1.6%	-6.9%	-1.1%
Diff. vs. YAG 13WM	-841	-401	-214	-249	-8	-7	39
Chnge vs. YAG 13WM	-9.6%	-9.5%	-10.0%	-18.1%	-1.1%	-5.8%	46.1%
<b>SHARE</b>							
Latest 13 Wk		48.7%	24.4%	14.4%	9.5%	1.5%	1.6%
Diff. vs. Pr. 13WM		-0.1%	0.1%	0.0%	0.1%	-0.1%	0.0%
Diff. vs. YAG 13WM		0.1%	-0.1%	-1.5%	0.8%	0.1%	0.6%
<b>PREMIUM</b>							
Volume	5,694	3,278	1,195	541	638	28	14
Change v Pr 13WM	-3.1%	-3.3%	-2.8%	-3.2%	-2.4%	-0.8%	-1.4%
Share of Category	72.3% *	57.6%	21.0%	9.5%	11.2%	0.5%	0.2%
Diff. vs. Pr. 13WM	-0.1%	-0.1%	0.1%	0.0%	0.1%	0.0%	0.0%
Diff. vs. YAG 13WM	0.3%	0.0%	-0.3%	0.0%	0.3%	0.0%	0.0%
<b>DISCOUNT</b>							
Volume	2,184	559	725	590	114	87	109
Change v Pr 13WM	-2.8%	-3.1%	-2.5%	-3.4%	3.1%	-8.7%	-1.0%
Share of Category	27.7% *	25.6%	33.2%	27.0%	5.2%	4.0%	5.0%
Diff. vs. Pr. 13WM	0.1%	-0.1%	0.1%	-0.2%	0.3%	-0.3%	0.1%
Diff. vs. YAG 13WM	-0.3%	-0.1%	0.5%	-5.0%	2.1%	0.4%	2.1%

\*Share of Industry

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**PRELIMINARY WEEKLY VOLUME AND SHARE**  
W/E 1/15/99

	YEAR TO DATE						
	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
<b>VOLUME</b>							
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Diff. vs. Forecast	-33	224	73	-647	283	-43	77
<b>PREMIUM</b>							
Volume	9,312	5,076	2,226	810	1,140	38	23
Diff. vs. 1998	-1,919	-1,485	-126	-186	-102	-15	-5
% Change vs. '98	-17.1%	-22.6%	-5.4%	-18.7%	-8.2%	-29.1%	-17.3%
Share of Category	72.6% *	54.5%	23.9%	8.7%	12.2%	0.4%	0.2%
Diff. vs. 1998	4.3%	-3.9%	3.0%	-0.2%	1.2%	-0.1%	0.0%
<b>DISCOUNT</b>							
Volume	3,514	873	1,318	789	288	69	178
Diff. vs. 1998	-1,703	-840	-358	-646	142	-48	46
% Change vs. '98	-32.6%	-49.1%	-21.3%	-45.0%	97.1%	-41.4%	35.2%
Share of Category	27.4% *	24.8%	37.5%	22.4%	8.2%	2.0%	5.1%
Diff. vs. 1998	-4.3%	-8.0%	5.4%	-5.0%	5.4%	-0.3%	2.5%

\*Share of Industry

Note: Company volumes may not sum to Total Industry due to rounding.

Volume differences, percentages and share figures are calculated on full precision numbers.

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